

# Three Decades of Planning in India

## A Balance Sheet of Performance

J. S. Uppal\*

An analysis of the development performance of the Indian economy during the last three decades of economic planning is of crucial importance for the economic well being of Indian people, and also for many developing economies whose development plans are based essentially on Indian planning model. Since 1950, when India started pursuing a conscious and comprehensive planning; she has had four five year plans, three annual plans and currently she is in the midst of formulating the sixth plan.<sup>1</sup> The results of the last three decades of planning have been rather mixed; some achievements on certain fronts and major failures on some others. In this paper, we will start with a balance sheet of the successes and failures of Indian plans, followed by an analysis of factors explaining the shortcomings. On the basis of this analysis, conclusions will be drawn raising some crucial questions which the future economic plans must consider in formulating development policies.

### I. Major Achievements of the Indian Plans

#### *A. Growth of the Economy*

On the achievements side of the balance sheet, a notable success has been a break in the virtual stagnation of the Indian economy during the first half of the present century. The 4.0 per cent average annual growth rate during the period 1950-1979 which, though grossly inadequate, is according to K. N. Raj, "2 to 3 times as high as the rate recorded in British administration .. it

\* Dr. J. S. Uppal is a Professor of Economics, State University of New York at Albany, Albany, New York, USA.

<sup>1</sup> The Draft Sixth Five Year Plan prepared by the Janata Government in 1979, has since been discarded by Mrs. Gandhi's government. A revised Sixth Plan is in the process of formulation.

has been higher than the percentage increase realized in India over the entire preceding half a century."<sup>2</sup> The growth rate of the Indian economy during the period 1950-1968, in the words of Max Millikan, "represents a notable acceleration over the annual growth rate of the British India for the first half of the twentieth century, which has been at no more than 1 percent, and compares very favorably with the growth rates of the presently advanced countries during their earlier development history."<sup>3</sup>

### *B. Growth of Infrastructure and Basic Industries*

There has been considerable progress in the provision of infrastructure and the basic industries. Road kilometrage increased from 0.4 million in 1951 to 1.21 million in 1978. Railway route length increased from 53,596 kilometers in 1951 to 60,234 kilometers in 1976. Today, the Indian railway system is the largest in Asia and the fourth in the world. Shipping tonnage increased to 5.36 million GRT in 1978 from 0.37 in 1951. The electric power generated jumped from 20.1 billion kwh in 1960 to 100 billion kwh in 1978. The cultivated area under irrigation increased from 20.9 million hectares in 1950-51 to 47 million hectares in 1978. The increase in aluminum output during this period rose from 4000 tons in 1950-51 to 180,000 tons in 1977-78. Similar high rates of growth

**Table 1**  
INDEX OF INDUSTRIAL PRODUCTION 1951-1977  
(1970 = 100)

Group	1951	1977
General Index	54.8	135.1
Rubber Products	56.0	161.1
Chemical	42.4	161.1
Petroleum	11.0	141.7
Machinery	22.2	168.8
Electricity	35.7	133.8

*Sources:* Gov't. of India, Ministry of Information, *India 1977-78: Planning Commission, Fourth Five Year Plan 1969-74.*

<sup>2</sup> Raj (1976), p. 2.

<sup>3</sup> Millikan (1968), p. 532.

have been achieved in mechanical engineering industries (machine tools, railway wagons, power driven pumps, diesel engines), electrical engineering industries (power transformers, electric motors, electric cables and wires), chemical and allied industries (fertilizers, cement and petroleum products). While the general index of industrial production (1970 = 100) increased from 54.8 in 1950 to 135.1 in 1977, the index for basic and key industries registered much higher increase as shown in Table 1.

While India has still a long way to go to develop infrastructure and basic industries sufficient enough to meet the growing demands of the expanding economy, the progress in this sector looks spectacular while comparing the situation in 1978-79 with that in 1950. The present level of development in infrastructure and basic industries is generally considered adequate to put the Indian economy on the path of self-sustaining growth.

### *C. Education, Social Services and Development of Human Capital*

Another area in which India has recorded impressive gain is in the expansion of educational facilities and provision of social services like public health and sanitation measures. During 1951-79, the literacy rate went up from 16.6 percent to 35.0 percent. Ninety percent of children in the age group 6-11 were in schools in 1977 compared to 33.0 percent in 1950. There were 90 million students (at the primary and secondary levels) in schools in 1977 compared to 2.3 million in 1950. The number of pupils at the University stage: arts, sciences, and commerce, increased from 0.36 million in 1950 to 4.6 million in 1977. The number of universities registered an impressive increase from 27 in 1950 to 105 in 1977. Several educational, scientific and social science research councils have been set up and the contributions by Indian scholars to the international journals of repute have achieved world wide acclaim. India at present ranks third in the world (after the USA and USSR) in the absolute number of technically trained personnels.

This impressive growth in educational and research facilities should normally be a great asset in economic development. But, unfortunately, there are some disquieting features in the field of education. The Indian educational system continues to be deficient from the point of view of enrichment of students personality, modernizing their outlook and more essentially, developing their capacity and will for productive economic activity. A task force appointed by the Government of India in 1972 observed, "We have, unfortunately, at present a top heavy, lopsided, educational

structure which does not seem to be commensurate with the socio-economic needs of the society. This is not, however, a recent phenomenon, it has its roots in the pre-independence period, only it has become more acute of late.<sup>4</sup> Presently, India has more educated persons than she can utilize. Consequently, level of unemployment increases with level of education. During the period 1960-77, the rate of increase of unemployment was greater for college graduates than for the holders of high school diplomas.

Paradoxically, even engineers and other persons with advanced technical training are facing unemployment in India. According to a recent estimate, 0.69 million graduates and engineering diploma holders, which is 10-20% of the total number in this category, were unemployed in 1977-78. If the present trend continues, the situation will worsen over time. If we relate the increase in the unemployed to the increase in the number of these graduates, i.e., the marginal rate of unemployment, during the Sixth Five Year Plan 1978-83, it turns out to be 27.33%.<sup>5</sup> This is a grim outlook indeed.

During the last decade,<sup>7</sup> there has been a phenomenal increase in the export of consultancy service involving large numbers of technically trained personnel in industrial, technological and management fields to other underdeveloped countries in Middle East, South East Asia and Africa. The foreign exchange earnings from such services rose to \$5.00 million in 1977 as compared to the average export earnings of \$1.37 to \$1.52 million during the period 1970-71 to 1974-75 - an increase of nearly 400 percent.<sup>6</sup>

There has also been a vast improvement in the provision of health facilities during the last two decades. The number of doctors and hospital beds has increased by more than two and a half times and that of nurses by more than five times. In the rural areas, there were about 43,117 primary health centers in September 1977, while none existed before 1950. Epidemics like malaria, T.B., small pox, cholera, and plague, which took a heavy toll of life, are no longer big killers. The death rate has come down from 27.4 per thousand per year in 1950 to 18.9 in 1970 and the life expectancy at birth has increased from 32 years to 53 years during the same period. This impressive improvement in health facilities, highly desirable from human welfare, has, however, accentuated the already serious problem of population explosion.

4 Gov't. of India (1964), p. 28.

5 Dandekar (1969), p. 2.

6 India News (1976).

### *C. Savings and Investment*

In a country with a large number of people living under the subsistence level, it is not realistic to expect much domestic savings and investments. As Barbara Ward remarks, "In democratic India, where people are being asked for the first time in history to vote themselves through the tough period of primitive accumulation, savings are lower."<sup>7</sup> She goes on to say:

"Even though the hope is that five to ten years from now, conditions will be better, can the people be persuaded - least of all by free vote - to submit themselves to an even worse plight now?"<sup>8</sup>

It might be pointed out that while inadequate savings continue to be an impediment to economic growth, India's record in increasing the rate of capital formation, especially the domestic part of it, is quite impressive and better than any of the democratic underdeveloped countries. In 1950, India's gross investment was 7.0% of the national income (6.6% domestic and 0.4% foreign capital). The corresponding rate increased to 19.8% in 1977-78. Granted that this rate of investment will have to be increased further to achieve the annual average rate of growth of 5.5% envisaged in the Fifth Five Year Plan, the increase in the rates of saving and investment achieved during the last 28 years is, nonetheless, an impressive achievement.

## **II. Main Failures of Planning in India**

While we have outlined some major development gains from three decades of planning, we should not overlook some serious shortcomings and failures encountered during this period. To discuss the main failures of India's five year plans, we should keep in view their basic premises: a) development along socialistic lines to secure rapid economic growth, b) expansion of employment opportunities, c) reduction of disparities in income and wealth distribution, d) and prevention of concentration of economic power.

<sup>7</sup> Ward (1962), p. 5.

<sup>8</sup> Ward (1962), p. 125.

### *A. Inadequate and Falling Growth Rate*

India's development performance during 1950-80 can be reviewed in terms of some crucial economic indicators in Table 2. The growth rate of the gross national product and also the per capita income can be interpreted in two ways. Comparing the growth rate during the period 1950-80 with that in the pre-independence period, to repeat Max Millikan's remarks, "represents a notable acceleration over the annual growth rate of British India for the first half of the twentieth century, which has been estimated at no more than 1 percent, and compares very favorably with the growth rates of the presently advanced countries during their earlier development history."<sup>9</sup> The growth during the last thirty years is, however, not impressive judged from other angles such as (i) Planned or Targeted Rate of Growth (ii) Desired Rate of Growth to meet other goals of economic planning like reducing the level of poverty; and (iii) Compared with the experiences of other developing countries.

Table 2 shows the target and actual growth rates in the gross national product and per capita income for different periods. It will be observed that the realized rates of growth fell short of the target rates except during the First Five Year Plan (1950-1955).

It is very difficult to determine needed or 'desired' rate of growth which would involve several non-economic social and psychological variables such as people's hopes, desires and rising expectations. A common man would judge the success of planning in terms of availability of essential goods and services at prices which he can afford. There has been slowing down of per capita supplies of essential wage goods (goods consumed by poorer sections such as food grain, sugar, textiles, tea, hydrogenated oil, footwear, soap, matches) during the plan period. While there was minor annual increase of 0.37 percent in per capita supplies of wage goods during 1950-76, the rate of increase of 1.24 percent during 1950-64 was higher than the corresponding rate 0.17 percent during the latter period 1964-76.<sup>10</sup> The per capita net availability of food grains has not changed much during the last twenty years. It has fluctuated around the figure 170.0 kilograms per year; the figures were 171.1 and 172.5 during the years 1960-61 and 1977-78 respectively.<sup>11</sup> The slowing down of per capita supplies

<sup>9</sup> Millikan (1968), p. 532.

<sup>10</sup> Brahmanand (1978), p. 4.

<sup>11</sup> Sanderson and Roy (1979), p. 78.

**Table 2**  
**SOME INDICATORS OF ECONOMIC GROWTH IN INDIA**  
**1950-1980**

Indicators	1950-51	1955-56	1960-61	1966-67	1975	1976	1977	1978	1979**
	1955-56	1960-61	1965-66	1970-71	1976	1977	1978	1979	1980
(Average Annual Growth Rates)									
<b>Gross National Produce</b>									
(at 1960-61 prices)									
a. Target	2.5	5.0	5.0	5.5	—	—	—	4.7	—
b. Actual	3.5	4.7	2.6	3.7	8.5	1.5	6.0	3.0	2.9
<b>Per Capita Income:</b>									
(1960-61 prices)									
a. Target	1.3	3.8	2.9	—	—	—	—	2.3	—
b. Actual	1.6	2.5	0.3	1.6	6.6	-0.4	4.5	1.3	1.1
<b>Population Growth:</b>									
a. Predicted	1.2	1.2	2.2	—	—	—	—	—	—
b. Actual	1.9	2.2	2.3	2.1	1.9	1.9	1.5	1.7	1.8
<b>Industrial Production</b>									
	8.2	6.6	5.7	4.1	6.1	10.6	3.9	7.0	0.8

Notes: \*\*Estimates

Sources: Government of India: *Economic Surveys, 1973-74, 74-75 and 1975-76, 1977-78, 78-79*

Government of India: Planning Commission, *Five Year Plans I-V*

David Morawetz, *Twenty-Five Years of Economic Development, 1950-75*, Washington, D.C., World Bank, 1977.

National Council of Applied Economic Research: *Appraisal of the Indian Economy (New Delhi, 1978)*.

Reserve Bank of India, *Report on Currency and Finance, 1977-79*.

of essential wage-goods is a matter of rather serious concern. It is interpreted by common man as a tragic failure of planning.

Subramanian Swamy has estimated the growth rate needed to meet specific commitments made in Five Year Plans. Using estimates on such variables as labor force growth, employment potential actually realized and the employment investment ratio, Swamy has estimated that ensuring full employment for all citizens within 10 years require a 10 percent rate of growth.<sup>12</sup> A similar rate of growth in national income according to Swamy, will be required to "guarantee acceptable minimum level of consumption within the foreseeable future."<sup>13</sup> The actual average rate of growth of 40 percent per annum achieved by the national economy during the last three decades falls woefully short of this needed growth rate.

A comparison of India's rate of growth with those of other developing economies gives us an equally depressing picture. As Jagdish Bhagwati remarks:

"It is now clear that the Indian economic performance while a definite improvement over that in the pre-independence period, is less than satisfactory whether one takes the "capitalistic" index of growth rates of income or the "socialist" indices of eradication of poverty and reduction of income inequality. International comparisons show that our growth rate during the last two decades since planning began has been bettered by a number of other countries of different sizes, political persuasions and economic ideologies: Taiwan, South Korea, Brazil, and Israel are only a few of the examples that may be mentioned."<sup>14</sup>

In 1955, the United Nations World Economic Survey listed 55 countries ahead of India in terms of per capita income, while in 1978 she was behind 110 out of total 118 countries.

The growth rate of the Indian economy has not only been woefully low, it has also been declining over time. According to Brahmanand,<sup>15</sup> the linear growth rate of the economy during 1950-51 to 1975-76 was 3.4 percent per annum; but the corresponding rate during 1950-51 to 1962-63 was 3.80 and that during 1963-64 to 1975-76 was 2.90: a more than 20 percent fall in the

<sup>12</sup> Swamy (1971), p. 19.

<sup>13</sup> Swamy (1971), p. 21.

<sup>14</sup> Bhagwati (1973), p. 1.

<sup>15</sup> Brahmanand (1978), p. 3.



growth rate. Brahmanand has found similar decline in growth rates of value-added in various sectors of the economy as per Table 3 below:

**Table 3**  
**GROWTH RATES IN VARIOUS SECTORS OF THE INDIAN ECONOMY**  
**1950-51 TO 1975-76**

Sector	Period	Growth Rate (Annual percent)
Agriculture	1950-76	1.90
	1950-63	2.31
	1963-76	2.08
Manufacturing	1950-76	5.20
	1950-63	6.04
	1963-76	3.35
Per Capita Real Income	1950-61	1.91
	1960-70	1.45
	1970-76	0.72

*Income Source: P. R. Brahmanand, Planning for a Futureless Economy (Bombay, Himalaya Publishing House, 1979), pp. 2-5.*

Where do these low and declining growth rates lead us? The prospects certainly look gloomy!

In spite of industrial growth and diversification, increase in literacy and social services, as explained earlier, there has been no basic changes in the structure of the national economy (i.e., there has been no change in the relative position of key variables). During the period 1950-1980, the ratio of rural population dependent on agriculture to the total population, has more or less remained unchanged at about 72 percent, the proportion of value added in agriculture at current prices has remained constant at 49.0 percent; the proportion of real value added in wage goods to total net domestic product has not changed. It is disappointing to note that thirty years after start of economic planning, Indian economy remains close to subsistence level and painfully sensitive to vagaries of monsoon and other natural calamities.

### *B. Whither India's Socialistic Society?*

The long-term goal of the Indian planning has been to transform the economy into "socialistic pattern of society" emphasizing certain policy measures: (i) growth of public sector and nationalization, (ii) land reforms, (iii) redistributive policies to reduce inequalities in income and wealth. (As we will explain in a later section, the incidence of poverty and disparities in income distribution have rather increased since the start of economic planning.) The land reforms have largely failed to achieve their objectives: providing security of tenure to cultivators, decreasing the rent charged and conferment of ownership rights on the actual tillers. Though there has been large expansion in the public sector (Increase in total investment: Rs. 250 million in 1951 to Rs. 89.7 billion in 1977 in public enterprises whose number increased from 5 to 129 during this period) there have been some questions raised on the performance of government undertakings. Shortcomings such as delay in completion of these projects; over-capitalization due to inadequate planning, delays and unavoidable expenditures during construction, surplus machine capacity, large overhead expenditures.<sup>16</sup> Up until 1972-73, the dividend on share capital was quite low, which is cited as a symptom of low profitability of public enterprises compared to the private sector. Since 1972-73 and more especially during 1975-76, there has been some improvement in this respect. An important reason for emphasis on public sector, as an instrument of socialistic society, was the expectation that while the returns from private business go to comparatively rich private owners, the benefits of the public undertakings would accrue to the "common man". It was also expected that profits from the public undertakings would be an important source of capital formation. Neither of these hopes has not materialized. Commenting on the distribution of benefits of public undertakings, Minhas remarks:

"Whether it was the operation of public enterprises or the construction of infrastructure facilities in the field of irrigation, flood control, power, transport, etc., or the operation of a licensing system for control of investments and imports, or the distribution of public largesse to the not-so-poor was ever present."<sup>17</sup>

Due to the low profitability of the public enterprises, the public sector fell below the target in contributing to capital formation.

16 Myrdal (1968), p. 66.

17 Minhas (1974), p. 10.

The ratio of the government savings, which include profits from public enterprises, to the national income has been quite low: 1.2% in 1955-56 to 4.1% in 1977-78. According to Desai and Bhagwati, "The public sector has not generated the expected surplus of investment and growth."<sup>18</sup>

On the basis of the ineffectiveness of various instruments of public policy designed to achieve Socialistic Society, it is contended in the words of Koshal:

"The objectives of India's socialistic society which has been influenced on ideological ground has remained more or less a decorative piece in the government's pronouncements, and hardly perennial in all the plans. Even after twenty-five years of independence and twenty-three years of planning, we have not made any significant progress towards the objective of a socialistic society."<sup>19</sup>

Some critics call India's Socialist Society nothing more than a mixed economy in which the public sector has taken over those functions for which private enterprise do not have sufficient resources.<sup>20</sup> In this sense, India's Socialist Society is grounded more or less in pragmatism. Minhas has, however, strong opinions against India's practice of socialism:

"Let us, however, try to see what Indian socialism has turned out to mean in practice. The socialistic intentions of independent India were pitted against the out-moded attitudes of a strongly feudal and caste status-conscious society, which has been unwilling to accept the rigorous code of private as well as public behavior implied in the concept of socialism."<sup>21</sup>

A great deal of constructive effort is needed to enforce the redistributive measures already enacted, introduce changes in the pattern of ownership of means of production and also to remove the outmoded attitudes of a "strongly feudal and status conscious society" which stand in the way of socialistic principles.

### *C. Persistent Poverty*

Alleviation of poverty has consistently been one of the major

18 Desai and Bhagwati (1974), p. 4.

19 Koshal (1975), p. 133.

20 Hanson (1966), Ch. 12.

21 Minhas (1974), p. 10.

objectives of five year plans, yet several studies on the incidence of poverty have indicated that the proportion of population under poverty line has increased or at best, remained constant. Ojha computed the magnitude of poverty during 1960-61 and again in 1967-68 on the basis of consumption expenditure to buy a certain amount of essential caloric intake.<sup>22</sup> For 1960-61, he estimated that 184.2 million persons in rural areas (51.82 percent of rural population) and 6 million urban dwellers (7.6 percent of urban population) lived below poverty line. On a national basis, Ojha estimated 190 million persons (44 percent of total population) below poverty level. According to Ojha, "compared to 1960-61, the nutritional deficiency widened considerably in the rural population in 1967-68."<sup>23</sup> As compared to the figure 52.0 percent of the rural population in 1960-61, 70 percent of the population was found to be below poverty level in 1967-68. More or less similar conclusions were arrived at by Dandekar and Rath.<sup>24</sup> About 40 percent of the rural population *i.e.*, about 160 million persons in 1967-68, subsisted at a level of living which is nutritionally highly deficient in terms of caloric intake. In the urban sector, about 50 percent of the population was estimated to be below poverty level. Thus, according to Dandekar and Rath, in all, about 200 million persons in 1967-68 were below poverty level. Bardhan<sup>25</sup> also estimated that percentage of rural population below poverty line had increased from 38 percent in 1960-61 to 54 percent in 1968-69. The Planning Commission is cognizant of the continuing abject poverty. According to the Planning Commission, "Economic Development during the two decades since the inception of planning has resulted in sizeable increase in average per capita income ... yet large numbers have remained poor."<sup>26</sup> The Draft Six Five Year Plan (1978-83), has estimated the figures of 47.85 percent and 40.71 percent as percentage of the rural and urban population respectively below poverty line in 1977-78.<sup>27</sup> How do we explain this dilemma of "sizeable increase in per capita income" and "persistence of poverty." According to the Fifth Plan, "One reason for the failure of planning to make a major dent on poverty has been the inadequate rate of economic growth."<sup>28</sup>

In our view, the fault lies first with the inappropriateness of the strategy applied and secondly with the ineffectiveness of the

22 Ojha (1972), p. 40.

23 Ojha (1972), p. 41.

24 Dandekar and Rath (1971).

25 Bardhan (1970), pp. 129-136.

26 Draft Fifth Plan (1976), pp. 14-15.

27 Govt. of India (1978), p. 3.

28 Govt. of India (1978), p. 6.

measures designed to alleviate poverty. Efforts to reduce inequalities in income and wealth distribution by mere emphasis on increase in rate of growth in a society with unequal distribution and private ownership of the means of production, are not likely to succeed without first altering the pattern of ownership. The closest we came to changing the ownership pattern was to legislate "ceiling on ownership of land" and conferring ownership rights on the tillers of lands, but the laws in this respect were observed more in defiance than observance. According to the Draft Sixth Five Year Plan (1978-83), "the concentration ratio of assets (mainly agricultural land) owned by rural households increased from 0.65 in 1961-62 to 0.66 in 1971-72. The poorest 10 percent of rural households owned only 0.1 percent and the richest 10 percent owned more than half of the total assets in 1971-72 as well as 1961-62."<sup>29</sup> The Planning Commission, thus concludes that "up to the 60's the land reform measures had no visible impact on the distribution of rural property."<sup>30</sup> The remarks in the Fourth Plan that, "the process of development might lead, in the absence of purposive intervention by the State, to greater concentration of wealth and income,"<sup>31</sup> seem to support out contention above, but the "purposive intervention" referred to by the Planning Commission, have been rather 'soft measures' (e.g., licensing anti-monopolies legislation, progressive taxation, ceiling on land ownership; security of tenure to cultivators).

These measures alone would not change the pattern of ownership of the means of production, essential for reducing maldistribution of income. Another policy measure designed to reduce poverty was to provide employment opportunities especially in the rural areas. The failure to achieve this objective also contributed to the persistence of poverty among large mass of Indian population.

#### *D. Failure in Manpower Utilization and Unemployment*

In a labour abundant economy like India, another major determinant of economic growth and welfare of the general population, is the proper utilization of manpower. The Indian economy from the very beginning of planning, has been beset with serious unemployment problems. Each five year plan devoted considerable attention to explain the gravity of unemployment situa-

29 Govt. of India (1978), p. 12.

30 Govt. of India (1978), pp. 14-15.

31 Govt. of India (1978), p. 3.

tion and contained proposals for solution of the problem as one of the major objectives of planning in India. A review of the employment pattern since 1950 shows the disquieting fact that there was more unemployment at the end of each plan than at the beginning, as shown in Table 4.

**Table 4**  
**UNEMPLOYMENT AND THE FIVE YEAR PLANS**  
**(IN MILLIONS)**

	I Plan 1951-56	II Plan 1956-61	III Plan 1961-66	Annual Plans 1966-69
1. Labour force at the beginning =	185.2	197.2	215.0	229.0
2. Net addition to the labour force =	9.0	11.8	17.0	14.0
3. Back log of unemployment at the beginning of the plan =	3.3	5.3	7.1	9.6
4. Total (2+3) =	12.3	17.1	24.1	23.6
5. Additional jobs created =	7.0	10.0	14.5	1.4
6. Back log of unemployed at the end of plan: 4-5 =	5.3	7.1	9.6	22.2
7. Unemployment as percent of labour force =	2.9	3.6	4.5	9.6

Sources: Reserve Bank of India, *Reports on Currency and Finance*, 1969, 1970, 1975.

It will be noted from line 7 that the rate of unemployment was successively higher at the end than at the beginning of each plan. The Planning Commission stopped releasing estimates on unemployment in 1969, but commented on the employment situation after the Fourth Five year Plan, thus: "...it would appear that employment generation has not kept pace with the growth of labour force. The situation of unemployment among educated and technically qualified persons also continue to cause concern."<sup>32</sup> Recently the Planning Commission has presented estimates of unemployment in the Draft Sixth Five Year Plan (1978-83). Unemployment estimates have been classified into three categories (i) Chronic Unemployment: measured in numbers of persons who remained unemployed throughout the year; (ii) Weekly Unemployment: number of persons who did not find even an hour of work during the survey work;

<sup>32</sup> Govt. of India (1976), p. 267.

and (iii) Daily Status Unemployment: measured in person days or person years or persons who did not find work on a day or some day during the survey week. The estimates for these three types of unemployment in 1973 were 1.60%, 4.33%, and 8.34% of the respective labor force respectively.<sup>33</sup> Assuming similar rates on unemployment in March 1978, the Planning Commission has estimated chronic, weekly and daily status unemployment at 4.37 million, 11.20 million and 20.56 million respectively. Through these ratios of unemployment in India may be comparable to other developing countries, the absolute number of persons unemployed, according to the Planning Commission, "...is staggeringly large, and larger than in any country in the world for which any statistics are available."<sup>34</sup> As already pointed out earlier, unemployment among educated persons has assumed serious proportions and the future also looks grim if some 'radical' or 'bold measures' are not adopted. According to recent estimates, 10.21 percent of graduates and engineering diploma holders were unemployed in 1977-78. If the present trend continues, it is estimated that during the five year period 1978-83, while the number of graduates and engineering diploma holders will increase by 0.731 million--giving a high marginal rate of unemployment of 23-27 percent.<sup>35</sup>

### III. Some Explanations for Failures

How do we explain these failures of planning in India? We would discuss various causes under (a) Failure of Implementation; and (b) Inappropriate Plan Policies:

#### *A. Failure of Implementation*

An important cause of poor performance is the lack of implementation of most plan policies, whether aiming at creating employment opportunities or distributive measures, including land reforms. An analysis of various economic policies indicates a wide gap between targets and achievements; the proclaimed high sounding goals and their actual attainments; promises to the masses and the actual distribution of the benefits from plans. Various views have been expressed on the causes of the lack of implementation. To Bhagwati and Desai, it is, "merely a symptom of the attitudes and habits... it reflects a certain lack of empiricism in the

33 Govt. of India (1978), pp. 81-82.

34 Govt. of India (1978), p. 82.

35 Dandekar (1969), p. 2.

Indian make up, which typically leads to intentions being confused with action."<sup>36</sup>

(1) *Bureaucracy: Alliances with Vested Interests*

Several commissions and committees appointed by the government blamed the bureaucracy including the civil service, which seriously lack the knowledge of technical tools and skills for economic management. The ill equipped bureaucrats were charged with implementation of the plan policies including management of government commercial and industrial undertakings. The bureaucracy is also accused of serving the interests of the ruling classes and being apathetic towards the needs of the underprivileged. In their political alliances for economic power, bureaucrats seem to support the vested interests of land owners and industrialists, rather than act as the faithful executors of plan policies. Commenting on these alliances, Gunnar Myrdal remarks, "Measures designed to aid the lowest strata in the population have ordinarily been poorly enforced, if at all."<sup>37</sup>

(2) *Administrative Constraint*

According to Hanson, the slack in implementation of plan policies is due to the administrative structure of the Planning Commission and nature of the federalism in the Indian political set up. The Planning Commission is an advisory committee, it merely recommends the plan to the central government, which in turn, transmit it to states for implementation at state and local levels. This dichotomy in plan formulation and its execution by numerous administrative units at state and local levels stand in the way of proper implementation.

(3) *Rigid Social Structure*

The kinship and hereditary relationships based on caste system and social factors continue to dominate the Indian society especially in the rural sector. Traditionally, the ownership of means of production including land vests in higher castes and dominant social groups and the labor class, including agriculture labourers come from lower social classes. Consequently, it is difficult for the economically and socially weaker classes to achieve

36 Bhagwati and Desai (1970), pp. 5-6.

37 Myrdal (1968), p. 10.



their rights granted under various plan provisions. According to Minhas, socialistic intentions of independent India, "were pitted against the outmoded attitudes of a strongly feudal and class conscious society, which has been unwilling to accept the rigorous code of private as well as public behavior implied in the concept of socialism."<sup>38</sup> The Planning Commission is cognizant of this sociological factor and explains the problems of implementation of land reforms measures:

"When there is a pressure on land and the social and economic position of tenants in the village is weak, it becomes difficult for them to seek the protection of law. Moreover, resort to legal process is costly and generally beyond the means of tenants. Thus, in many ways, despite the legislation, the scales are weighed in favour of the continuance of existing terms and conditions."<sup>39</sup>

#### *(4) Bureaucratic Behavior Pattern*

The gap between rhetoric and reality in economic planning has been explained by certain behavior patterns on the part of government officials charged with preparation and execution of plan policies. According to S. Swamy, "Planning experts of the Government of India use implementation failure as a scapegoat for their poor expertise."<sup>40</sup> Lawrence Veit, on the other hand, explains the setting of development targets and extravagant claims for future accomplishment as, "the spark needed to quicken aspirations and mobilize resources for development, as a genuine blueprint for the economy, or as the traditional smoke screen of promises common to politicians and bureaucrats throughout the world."<sup>41</sup>

### *B. Inappropriate Development Strategies*

To some extent, one can find fault with various development strategies used in Indian plans. Firstly, some development strategies are inappropriate to the socio-economic environment and secondly, these strategies have not been carried out properly.

38 Minhas (1974), p. 10.

39 Govt. of India (1969), p. 229.

40 Swamy (1971), p. 123.

41 Veit (1976), p. 330.

Some major strategies implicit in Indian plans are: Emphasis on heavy and capital goods industries; growth orientation; self-reliance, and comprehensiveness.

*(1) Emphasis on Heavy and Capital Goods Industries*

It is commonly believed in the developing countries that "industrialization", is a prerequisite for economic developments. Steel plants and other large scale industries have become modern international status symbols. In India, the absence of heavy industries has always been considered a major obstacle to her development. This view stems from the argument that Indian industrial development has been lopsided during the pre-independence period. While India had fairly developed consumer goods industries, the basic and capital good industries were conspicuous by their absence. This lack of basic industries persisted despite the fact that she had ample supplies of industrial raw materials. Nehru used to characterize steel and fertilizer plants as "temples of the modern India." While the First Plan emphasized infrastructures - power projects, transport and communications - from the Second Plan onward, development of large scale industries and mineral development were accorded priority in the allocation of plan outlays.

Though India undoubtedly needed basic industries like steel, fertilizers, shop building, adequate attention was, however, not paid in choosing between machines that should be produced initially while the others which could be imported from potential earnings through growth in the export-oriented industries. Since the choice of capital goods industries was not done on the basis of careful examination of various alternatives and detailed planning, the actual operation of the strategy resulted in bunching together of capital-goods projects in haste and locating them without regard to any thorough analysis. The experience of industrialized countries would indicate that the development of capital goods industries would require a cluster of small scale industrial units as supplier of various inputs and user of their output. This pattern was not followed in India. For example, while large investments on capital goods industries were made in the states of Madhya Pradesh, Orissa and Assam, these states did not develop the supporting industrial base. These shortcomings created

several adverse effects. Firstly, there were inordinate delays in execution, and various bottlenecks emerged from shortage of managerial talents, skilled personnel, energy resources and foreign exchanges. Many of the industrial enterprises have been operating below capacities and inefficiently due to lack of proper planning. From the neglect in supplementing the large capital goods industries with small scale industrial units, there was very little trickling down effect of industrial projects on the regional growth of income and employment.

It is also claimed that in choosing appropriate technology for industrial development, proper attention was not paid to crucial variables like marginal output per unit of worker/capital and marginal labor employed per unit of capital. According to Charan Singh, the Indian Planners were carried away by higher figures of marginal output per worker favoring large scale as opposed to small scale or cottage industries.<sup>42</sup> They ignored the crucial fact that in a capital shortage and labor abundant country like India, we should have preferred technology giving us higher values of net output and employment per unit of scarce input capital. Viewed from this aspect, small scale and cottage industries should have been preferred over large scale capital intensive industrial units in several industries. A careful choice of proper technology would have given us higher rates of growth in income and employment. The result of this neglect in choosing appropriate technology has been a slower rate of growth in income and employment. The adverse effect of choosing inappropriate industrial technique, has been especially felt in growth of employment. The rate of growth in factory employment slowed down from 2.50 percent per annum in 1950-63 to 2.10 percent during 1963-76.<sup>43</sup> Industrial development in India, thus did not expand employment opportunities as contemplated.

There is also evidence to the effect that while Indian plans had recommended expansion of cottage and small scale industries in specific fields *e.g.*, textiles, to increase employment opportunities, the process of further mechanization was actually going on unchecked. The

42 Singh (1978), pp. 96-97.

43 Brahmanand (1978), p. 99.

textile industry has been installing labor displacing machinery, thus reducing the rate of growth of employment. For example, in 1961 445 textile mills consumed 3.68 million bales of cotton and employed 722,000 workers. In 1972, while the number of textile mills increased to 684, cotton consumption increased to 6.25 million bales, the employment increased by an insignificant amount to only 761,000.<sup>44</sup> There has been increased mechanization of agriculture in Punjab, Haryana and Western Uttar Pradesh justified for adopting multiple cropping by speeding the turnaround time between planting. The increased use of labor displacing technology especially machines like mechanical harvesters, cannot be justified in the context of stated plan objectives of utilization of rural manpower. It is very important that the Planning Commission should carefully formulate industrial policy keeping in view of India's factor endowment and other crucial socio-economic variables such as output/capital/employment coefficients in various sectors of the economy.

### *C. Growth Orientation*

The main emphasis in the five year plans was placed on achieving the highest rate of attainable growth rate. Nehru once remarked that, "Production comes first and I am prepared to say that every thing we should do be judged from the point of view of production."<sup>45</sup> It was assumed that all other objectives *e.g.*, greater employment opportunities, eradication of poverty, would somehow follow from increase in national income. In other words, increase in growth rate of national income was a primary goal and the other objectives were derivative and secondary. This assumption, running explicitly in all the plans was implicitly stated in the Fifth Plan:

"In elaborating our strategy of development of earlier plan documents, we seem to have assumed that fast rate of growth of national income will be itself create more and fuller employment and produce higher living standards of the poor."<sup>46</sup>

The Planning Commission ignored the fact that the strategy of

44 Singh (1978), p. 99.

45 Quoted in Veit (1976), p. 200.

46 Govt. of India (1974), p. 3.

“production orientation” without change in the pattern of ownership of the means of production might result in further maldistribution of income and wealth.

#### *D. Comprehensiveness*

Indian plans are comprehensive in the sense that they cover several aspects of the society simultaneously: from increasing the gross national product to the development of arts and music, from the welfare of the lower castes to improvement in transport and communication systems. According to the Second Five Year Plan, Indian Plans are intended to:

“Accelerate the institutional changes needed to make the economy more dynamic and more progressive in terms no less of social than of economic ends. Development is a continuous process; it touches all aspects of community life and has to be viewed comprehensively. Economic planning, thus extends itself into extraeconomic spheres, educational and cultural.”<sup>47</sup>

Some writers have criticized this approach as spreading scarce resources too thinly instead of concentrating on areas of high growth potential<sup>48</sup> for meeting the goals of increasing income and employment.

#### *E. Democratic Planning and the Federal Political Structure*

Indian plans are formulated and implemented in a democratic and a federal structure. The Planning Commission is an advisory committee charged with the responsibility of formulating plans in consultation with diverse political and economic interests. Gunnar Myrdal<sup>49</sup> characterizes India as a “soft state” where the obligations on the part of masses to make sacrifices for economic development cannot be easily enforced. Bhatt describes how the democratic planning within a federal structure imposes considerable constraint:

“The functioning of a democratic process in a poor country with a large size and intense religious, linguistic and cultural diversity creates sometimes such irrational and conflicting demand on the economic system as the

47 Govt. of India (1956), p. 1.

48 Pai (1966), pp. 1-56.

49 Myrdal (1968), p. 66.

system cannot meet without adversely impinging on the growth process."<sup>50</sup>

An overall view of various plan strategies would show that some of the were formulated under certain specific premises *e.g.*, industrialization, especially heavy industries involving huge investments would stimulate growth, which would create employment opportunities sufficient enough to absorb the labor force. The socialistic policies including land reforms legislation, progressive income tax, growth of the public sector, regulation and control of the private sector, would somehow direct the benefits from economic growth towards the economically weaker sections of the society. In rejecting these premises Bhagwati stated, "Experience has now shown that these premises of our policies have been either misguided or inadequate or unrealistic in our political framework. In short, a serious restructuring of our policies is called for."<sup>51</sup> How could huge investments in capital intensive large scale and heavy industries ease unemployment in a labor abundant economy? How could the benefits of economic growth accrue to economically weaker sections in an economy with concentration of ownership of means of production in upper classes? These are some of the crucial questions that need to be seriously considered while reconstructing future economic policies.

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50 Bhatt (1973), p. 30.

51 Bhagwati (1973), p. 4.

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